



PUBLIC NOTICE

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CORRECTED VERSION

DA 11-1593

Release Date: September 23, 2011

INQUIRY INTO DISBURSEMENT PROCESS FOR THE UNIVERSAL SERVICE FUND LOW INCOME PROGRAM

WC Docket Nos. 11-42, 03-109

Comment Date: (30 days after date of publication in the Federal Register)

Reply Comment Date: (45 days after date of publication in the Federal Register)

1. The Wireline Competition Bureau (WCB) seeks comment on a proposal for disbursing Universal Service Fund low income support to eligible telecommunications carriers (ETCs) based upon claims for reimbursement of actual support payments made, instead of projected claims for support. Payment based on actual support payments could replace the current administrative process, under which USAC reimburses ETCs for low income support each month based on USAC's projection of payments and on a "true-up" calculated using an ETC's actual support payments.¹

I. Background

2. ETCs are reimbursed for providing Lifeline and Link Up to qualifying low-income consumers under Sections 54.407 and Section 54.413 of Commission rules, respectively.² Pursuant to Section 54.403(c), carriers providing toll-limitation services (TLS) for qualifying low-income subscribers are compensated from universal service mechanisms for the incremental cost of providing TLS.³ ETCs use FCC Form 497 to request reimbursement for participating in the Lifeline, Link Up and TLS programs.⁴

3. The majority of ETCs file support claims on FCC Form 497 on a monthly basis; however, some ETCs file support claims quarterly. USAC disburses low income support on the last business day of each month. The disbursements may be based upon a projection for the prior month's

¹ See USAC, Step 7: Payment Process and Status, <http://usac.org/li/telecom/step07/default.aspx> (last visited Sept. 23, 2011); USAC, Low-Income Income Program Form 497 & Disbursements (July 2010), available at http://usac.org/_res/documents/hc/pdf/training-2010/Low-Income-Disbursements.pdf. The precise mechanism for distributing and collecting Lifeline funds is determined by USAC in direct consultation with the Commission. *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd. 8776, 8971, para. 36 (1997) (*1997 Universal Service Order*) (*subsequent history omitted*); see also 47 C.F.R. §§ 54.407(a) (Lifeline support shall be provided under administrative procedures determined by the Administrator); 54.407(b) (Link Up support records for reimbursement shall be provided to the Administrator at intervals directed by the Administrator); 0.91 and 0.291 (functions and delegated authority of the Wireline Competition Bureau).

² 47 C.F.R. § 54.407, 54.413.

³ 47 C.F.R. § 54.403(c).

⁴ See FCC Form 497 Instructions, July 2008 Edition, at 1.

support and a true-up for support claims for all FCC Forms 497 filed with USAC during the prior month.⁵ USAC processes forms received by the last day of each month to determine the disbursements that go out at the end of the following month.

4. If a carrier does not file an FCC Form 497 during a month, the carrier receives a low income program disbursement equal to the USAC-generated projection for that company. This process allows ETCs to file quarterly, but still receive a monthly disbursement. Projections are true-up as soon as the carrier files an actual support claim on FCC Form 497. USAC stops monthly support disbursements to any company that has not filed its actual support claims on FCC Form 497 for six months. At that point, USAC notifies the company that FCC Form 497 must be filed before additional support will be provided. If the company fails to file, USAC recovers the support paid for the six month period.

5. In order to promote greater accuracy in low income program payment-processing, on May 13, 2011 the Commission's Office of the Managing Director (OMD) directed USAC to propose an administrative process for disbursing low income support to ETCs based on verified claims for reimbursement.⁶ OMD instructed USAC to file its proposed process to pay on actual claims within ninety (90) days, and noted that the Wireline Competition Bureau (WCB) would seek public comment on USAC's proposal.⁷ USAC submitted its proposal on August 9, 2011, the text of which is attached hereto as Appendix A.

II. Comment Sought on Appendix A Proposal

6. To facilitate a smooth transition to a revised payment process, we seek public comment on USAC's proposed plan to pay low income support reimbursement based solely on actual support payments, including the following issues:

7. *Filing Deadline.* USAC proposes to establish a monthly due date by which ETCs must submit their FCC Form 497 in order to receive a payment at the end of the following month. Carriers that do not file FCC Form 497 by the monthly deadline in a given month would not receive a payment in the following month.⁸ USAC would process an FCC Form 497 received after the monthly deadline during the following month, and would make a disbursement based on that support claim in the subsequent month.⁹ We seek comment on monthly filing deadline and on the process for disbursing payment to ETCs that miss a monthly deadline.

8. *Quarterly Filing.* Under USAC's proposal, carriers would be allowed to continue to file quarterly, but those that do so would no longer be paid monthly. Instead, for the month following the

⁵ For example, the disbursement made to a monthly filer in October 2011 will represent a projection for September 2011 and a true-up of the prior month or months for which the carrier filed a Form 497. The disbursement for a quarterly filer in November 2011 will represent a projection for October 2011 and true-ups for the carrier's July, August and September support claims, which were filed in October 2011.

⁶ See Letter to Scott Barash, Acting Chief Executive Officer, Universal Service Administrative Company, from Dana Shaffer, Deputy Managing Director, Federal Communications Commission (dated May 13, 2011, posted May 16, 2011), 26 FCC Rcd 6810 (*FCC May 2011 Letter*).

⁷ *Id.*

⁸ Appendix A, at para. 7.

⁹ *Id.* at para. 8.

month the forms are filed, ETCs filing on a quarterly basis would receive one payment for all three months filed.¹⁰ We seek comment on the adequacy of quarterly reimbursements.

9. *Deadline for New Support and Filing Revisions.* Currently, USAC maintains an administrative window of *fifteen months* for filing original or revised support claims. Specifically, after the end of each calendar year (closed calendar year), carriers have fifteen months to file original claims or to revise support claims for the closed calendar year. After the fifteen-month window, ETCs may not file revised or original support claims for any portion of the closed calendar year. Under USAC's proposed plan, new support claims and upward revisions would only be permitted to be filed within an administrative window of *six months*.¹¹ We seek comment on whether this new filing window provides ETCs sufficient time to file revisions. Commenters proposing a longer filing window should provide a detailed explanation of why the proposed six-month period would be insufficient.

10. *True-Up before Transition to New Disbursement Process.* Most ETCs currently receive payments based on projections. Under USAC's proposed plan, in order to transition to paying on actual support claims, USAC would true-up all payments against projections for each ETC.¹² ETCs currently paid based on projections will likely receive little or no support for the month in which the program transitions to payments against actual claims. The example at Table 2 of Appendix A illustrates how the transition month would affect a typical carrier's support payment.¹³ We seek comment on the proposed true-up process for the transition month, and whether USAC's proposed early transition option¹⁴ provides ETCs with sufficient time to transition from projected to actual claims. Commenters with alternative proposals should provide examples of how such proposals would work.

11. *Payment of Negative Balance as a Result of Transition True-Up.* A carrier may incur a negative disbursement as a result of the true-up process during the transition month.¹⁵ Under USAC's proposed plan, in the event the negative amount exceeds the carrier's next monthly payment, USAC would invoice the carrier for the full amount of the negative balance.¹⁶ We seek comment on this approach to the settlement of negative balances.

12. *Transition Date and Early Transition Option.* If adopted, the new disbursement process would contain a transition date by which all carriers would receive support based on claims for actual, rather than projected, support. We seek comment on what date would be appropriate for the transition, including details to support any dates proposed. Additionally, under USAC's proposed plan, ETCs could elect to transition to the new disbursement process prior to the transition deadline.¹⁷ For example, a carrier that claims low income program support in multiple study areas may wish to transition its study areas at different times in order to phase-in payment on actual support claims, rather than have all of its study areas transition at the same time. We seek comment on this early transition option. Commenters with alternative proposals should provide examples of how such proposals would work.

¹⁰ *Id.* at para. 7.

¹¹ *Id.* at paras. 7, 12.

¹² *Id.* at para. 8.

¹³ *See Id.* at Table 2.

¹⁴ *See infra* para. 12.

¹⁵ *See* Appendix A at para. 10.

¹⁶ *Id.*

¹⁷ *Id.* at para. 13.

13. *Implementation and Outreach.* OMD requested that USAC’s proposal include an implementation and outreach component,¹⁸ which USAC includes in its proposal.¹⁹ We seek comment on whether the key components of USAC’s outreach plan are sufficient to notify and educate ETCs on USAC’s new process for paying on actual claims.

14. *Codifying USAC’s Procedures.* We invite comments on all aspects of the proposal set forth in Appendix A. Without limitation, we seek comment on whether USAC’s requirements for ETCs’ seeking and recovering reimbursement for Lifeline and Link Up should be codified in Commission rules, or should be adopted as an administrative procedure, posted on USAC’s website.²⁰ After reviewing comments, OMD and WCB will determine what further steps are needed to adopt a new process.

III. Procedural Matters

A. Initial Paperwork Reduction Act Analysis

15. This document contains proposed modified information collection requirements. The Commission, as part of its continuing effort to reduce paperwork burdens, invites the general public and the Office of Management and Budget (OMB) to comment on the information collection requirements contained in this document, as required by the Paperwork Reduction Act of 1995.²¹ In addition, pursuant to the Small Business Paperwork Relief Act of 2002,²² we seek specific comment on how we might “further reduce the information collection burden for small business concerns with fewer than 25 employees.”²³

B. Comment Filing Procedures

16. Pursuant to sections 1.415 and 1.419 of the Commission’s rules, 47 CFR §§ 1.415, 1.419, interested parties may file comments and reply comments on or before the dates indicated on the first page of this document. All comments are to reference **WC Docket Nos. 11-42 and 03-109**. Comments may be filed using: (1) the Commission’s Electronic Comment Filing System (ECFS) or (2) by filing paper copies. *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 FR 24121 (1998). All filings must be addressed to the Commission’s Secretary, Office of the Secretary, Federal Communications Commission.

17. *Electronic Filers.* Comments may be filed electronically using the Internet by accessing the ECFS: <http://fjallfoss.fcc.gov/ecfs2/>.

¹⁸ See *FCC May 2011 Letter*.

¹⁹ See Appendix A at paras. 14-15.

²⁰ Section 553(b)(3)(A) of the Administrative Procedure Act (APA) states that notice and comment requirements do not apply to “interpretive rules, general statements of policy, or rules of agency organization, procedure, or practice.” 5 U.S.C. § 553(b)(3)(A). The proposed revised disbursement schedule is a non-substantive change to the administrative aspects of the low income program, and is therefore exempt from the notice-and-comment procedures of section 553 of the APA.

²¹ Pub. L. No. 104-13.

²² Pub. L. No. 107-198.

²³ See 44 U.S.C. § 3506(c)(4).

18. *Paper Filers.* Parties who choose to file by paper must file an original and one copy of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number. Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail.

- All hand-delivered or messenger-delivered paper filings for the Commission’s Secretary must be delivered to FCC Headquarters at 445 12th St., SW, Room TW-A325, Washington, DC 20554. The filing hours are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before entering the building.
- Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743.
- U.S. Postal Service first-class, Express, and Priority mail must be addressed to 445 12th Street, SW, Washington DC 20554.

19. *Additional copies.* One copy of each filing must be sent to each of the following:

- The Commission’s duplicating contractor, Best Copy and Printing, Inc., 445 12th Street, S.W., Room CY-B402, Washington, D.C. 20554, (202) 488-5300, or via email to fff@bcpiweb.com.
- Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-A452, Washington, D.C. 20554; e-mail: Charles.Tyler@fcc.gov.

20. *People with Disabilities* To request materials in accessible formats for people with disabilities (Braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (tty).

21. Filings and comments are available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, S.W., Room CY-A257, Washington, D.C. 20554. They may also be purchased from the Commission’s duplicating contractor, Best Copy and Printing, Inc., Portals II, 445 12th Street, S.W., Room CY-B402, Washington, D.C. 20554, telephone: (202) 488-5300, fax: (202) 488-5563, or via e-mail www.bcpiweb.com.

22. This matter shall be treated as a “permit-but-disclose” proceeding in accordance with the Commission’s *ex parte* rules.²⁴ Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentations must contain summaries of the substance of the presentation and not merely a listing of the subjects discussed. More than a one or two sentence description of the views and arguments presented generally is required.²⁵ Other rules pertaining to oral and written *ex parte* presentations in permit-but-disclose proceedings are set forth in section 1.1206(b) of the Commission’s rules.²⁶

²⁴ 47 C.F.R. §§ 1.1200 *et seq.*

²⁵ *See* 47 C.F.R. § 1.1206(b)(2).

²⁶ 47 C.F.R. § 1.1206(b).

23. For further information, please contact Kimberly Scardino, Telecommunications Access Policy Division, Wireline Competition Bureau, at (202) 418-7400 or TTY (202) 418-0484.

- FCC -

APPENDIX A

August 9, 2011

Dana R. Shaffer
Deputy Managing Director
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Response to Letter Directing USAC to Develop a Proposal for Disbursing Low Income Program Support Based on Actual Support Claims (DA 11-872)

Dear Ms. Shaffer:

[1.] This correspondence responds to your letter to Scott Barash, Acting Chief Executive Officer, Universal Service Administrative Company (USAC), dated May 13, 2011, regarding your directive (DA 11-872) to USAC to “develop a proposal for disbursing federal Universal Service Low Income Support Program Lifeline support to an eligible telecommunications carrier (ETC or carrier) based upon actual claims for reimbursement from the ETC, instead of projected support required, which is current program practice. The letter directs USAC to develop an administrative process for disbursing Low Income Program support based on actual claims filed on FCC Form 497, along with proposals for a transition from the current process and an outreach plan to ETCs. USAC was instructed to include in its proposal estimates of both the administrative costs to implement this new process and of any long-term savings associated with disbursing support based on actual claims. The letter requires USAC to submit its plan within 90 days of the date of the letter. The following information responds to your request.

Description of the Current Low Income Program Payment Disbursement Calculation Process

[2.] ETCs submit claims to USAC for reimbursement for providing discounts to qualified Low Income consumers on FCC Form 497. The majority of ETCs file Low Income support claims with USAC on a monthly basis; however, some ETCs file support claims quarterly (one form per month). ETCs have the option of filing FCC Form 497 electronically through USAC’s E-Cert secure portal, or via fax, e-mail or by mailing a paper copy.

[3.] USAC disburses Low Income Program support on the last business day of each month. The disbursements made include a projection for the prior month’s support and a true-up for support claims for all FCC Forms 497 filed with USAC during the prior month. For example, the disbursement made for a monthly filer in October 2011 will represent a projection for September 2011 and true-up of the prior month or months for which the carrier filed a Form 497 (*see* table below). The disbursement for a quarterly filer in November 2011 will represent a projection for October 2011 and true-ups for the carrier’s July, August and September support claims, which were filed in October 2011. All forms received by the last day of each month are processed and included in the disbursement that goes out at the end of the following month.

[Table 1]

CARRIER A	Type of Disbursement Calculation	Actual Support Claim filed on FCC Form 497	True-Up	USAC-generated projection	Total Low Income Payment
October 30 Disbursement	Pay on projections and true-up	\$100,000 (Sept. Form 497 actual support claim)	\$10,000	\$125,000 October projection	\$135,000
November 30 Disbursement	Pay on projections and true-up	\$120,000 (October Form 497 actual support claim)	-\$5,000	\$115,000 November projection	\$110,000

[4.] If a carrier does not file an FCC Form 497 during a month, the carrier receives a Low Income Program disbursement equal to the USAC-generated projection for that company. This process allows ETCs to file quarterly, but receive a monthly disbursement. Projections are trued-up as soon as the carrier files an actual support claim on FCC Form 497. The frequency of true-ups depends on the frequency with which a carrier files its actual support claim on FCC Form 497; some carriers file monthly, some file quarterly, and some file irregularly.¹

[5.] USAC will stop paying a carrier based on projections if the company has filed for bankruptcy protection or is the subject of a dispute, review or investigation that could result in the carrier discontinuing the provision of Lifeline service. In those instances, USAC informs the carrier in writing that its Low Income Program support disbursements will be based on its actual support claims, rather than on a projection that is later trued-up against an actual claim. This action helps to protect the Low Income Program from the risk that a carrier that is in bankruptcy or subject to a dispute or investigation would stop providing service and, therefore, have no support claim against which to true-up a disbursement that was based on a projection.

[6.] Currently, USAC maintains an administrative window for filing original or revised support claims that closes each March 31. After the end of each calendar year, carriers have 15 months to revise support claims for that year. After March 31 of each year, ETCs can no longer file revised or original

¹ USAC stops monthly support disbursements to any company that has not filed its actual support claims on FCC Form 497 for six months. At that point, USAC contacts the company to inform it that it must file an FCC Form 497 before additional support will be provided. If the company fails to file, USAC recovers the support paid for the six month period.

support claims for any month during the year before the prior year. For example, March 31, 2011 was the last day carriers could file new or revised support claims for any month in 2009.²

Proposed Plan for Paying on Actual Low Income Program Support Claims

A. Overview

[7.] The FCC will establish a date by which all ETCs will receive actual support rather than projected support. As an administrative matter, we recommend the FCC allow ETCs to transition the shift from projected support to actual support over a period of months. This will minimize any financial impact on carriers. To distribute support to ETCs based on their actual claims, USAC will establish a monthly due date by which ETCs must submit their FCC Form 497 in order to receive a payment at the end of the following month. Carriers that do not file FCC Form 497 by the monthly deadline will not receive a payment the following month. Carriers would be allowed to continue to file quarterly, but would no longer be paid monthly. Instead, the month following the month the forms are filed, they would receive one payment for all three months filed. In addition, new support claims and upward revisions would be permitted for only six months.

B. Proposed Plan

[8.] An FCC Form 497 received after the monthly deadline would be processed the following month, and will result in a disbursement based on that support claim paid in the subsequent month.³ For example, the process would work as follows: assuming the deadline is the 20th of each month and a carrier submits April 2012 data on FCC Form 497 on May 18, 2012, USAC will process that April 2012 support claim during May 2012 and include the payment in the June 2012 disbursement. However, if the carrier submits April 2012 data on FCC Form 497 on May 23, 2012, USAC will process that April 2012 support claim during June 2012 and include the payment in the July 2012 disbursement. The practical effect of this change is that ETCs must file a support claim each month by the administrative deadline in order to receive a payment the following month. If the carrier does not file, or files after the deadline, it will not receive a payment that month, but will receive payment in the subsequent month.

[9.] Currently, a true-up occurs each time a carrier files a support claim on FCC Form 497, and the ETC's payment is based on the true-up plus a projection for the current month. Most ETCs currently receive payments based on projections. Carriers that are disbursed support based on projections have an outstanding projection that must be trueed-up. In order to transition to paying on actual support claims, USAC would true-up the already-paid projection for each ETC against its support claim, but no new projection would be made. *The effect of this process will be that carriers that are currently paid based on projections will likely receive little or no support for one month as a result of the true-up.* The example below illustrates how the transition month would affect a typical carrier's support payment.

² This practice applies to revisions that increase a previous support claim or new support claims. Carriers may always submit downward revisions and, in fact, the results of audits or other investigations will routinely result in support recoveries for periods outside of the administrative window.

³ Forms that are incomplete or determined to be incorrect will not be processed. USAC will attempt to contact a carrier that has filed an incomplete or incorrect FCC Form 497 prior to the deadline in order to provide the carrier with the opportunity to correct the form and resubmit it prior to the deadline.

[Table 2]

CARRIER A	Type of Disbursement Calculation	Actual Support Claim filed on FCC Form 497	True-Up	USAC-generated projection	Total Low Income Payment
September 29 Disbursement	Pay on projections and true-up	\$100,000 (July Form 497 actual support claim)	\$3,000 (July projection was \$97,000)	\$125,000 August projection	\$128,000
October 30 Disbursement	Pay on projections and true-up	\$120,000 (August Form 497 actual support claim)	-\$5,000	\$115,000 September projection	\$110,000
November 29 Disbursement (Transition Month)	Transition to paying on actuals -- True-up outstanding projections	\$125,000 (September Form 497 actual support claim)	\$10,000	\$0 Transition to payment on actuals	\$10,000
December 30 Disbursement (1st month of paying on actuals)	Pay on actual support claims	\$130,000 (October Form 497 actual support claim)	None (pay on actuals)	None (pay on actuals)	\$130,000

[10.] A carrier may incur a negative disbursement as a result of the true-up process that takes place during the transition month. If the transition month's projection was higher than the actual support claims for that month, the carrier will have a negative disbursement in that month. In that case, USAC would net the negative amount against the carrier's next monthly Low Income Program disbursement. In the event the negative amount exceeds the carrier's next monthly payment, USAC may invoice the carrier for the full amount of the negative.

[11.] USAC also proposes to pay all carriers seeking support for the first time in a study area exclusively on actual support claims. That is, rather than moving to a projections based payment after a carrier files three months of actual data, carriers filing for support for the first time for a study area would

receive payments based on actual support claims.⁴ USAC proposes to start this practice during the month the Commission directs USAC to begin the process of transitioning to paying on actual support claims. Implementing a process for paying new carriers on actual support claims will eliminate the need to true-up projections for carriers that have been receiving support for only a few months.

[12.] In addition, USAC will revise its policy for submitting original support claims or revised support claims that exceed the original claim. USAC proposes to adopt a rolling six-month window during which carriers can file original or revised FCC Forms 497. The six-month period would be calculated from the current disbursement month. For example, carriers would have until the yearly December filing deadline (for example, December 20) to file original or upward revisions for preceding June (i.e., the six-month period would be calculated from the current month). Downward revisions would be accepted at any time in order to protect the Low Income Program from waste, fraud and abuse.

C. Transition Period

[13.] USAC proposes to allow carriers the opportunity to transition to payment on actual support claims earlier than the month the Commission ultimately establishes as the deadline for all Low Income Program payments to be made based only on actual support claims. A carrier that claims Low Income Program support in multiple study areas may wish to transition its study areas at different times in order to phase-in payment on actual support claims, rather than have all of its study areas transition at the same time. For example, a carrier that claims support in 20 study areas could request that USAC begin paying a certain number of its study areas on actual support claims during a particular month, and another few study areas the following month. Under this approach, the company could avoid having all of its study areas experience the transition – and the month of significantly lower payments that will result – at the same time. USAC proposes to make this option available beginning several months in advance of the mandatory deadline after which all companies will be paid on actual support claims; that carriers be permitted to request which study areas they would like to be paid on actual support claims by submitting a letter to USAC at the same time they file FCC Form 497; and that participation in this phase-in transition be an option and at the complete discretion of each carrier. This approach would enable the carrier to stagger the transition month so that it does not experience an extremely low cash flow in one month. Regardless, all carriers would be moved to payment on actual support claims by a certain month.

Implementation and Outreach

[14.] USAC has already made the required Low Income Program information systems changes to begin paying carriers on actual support claims. USAC's Customer Operations Team is responsible for processing the FCC Form 497, as well as other FCC forms including Form 525, Form 498 and Form 499. Because some of these other forms already have strict deadlines, USAC already has procedures in place for processing forms consistent with a deadline. Accordingly, USAC will not require extensive lead-time in order to implement the new payment process.

[15.] Once the Commission adopts a plan for paying Low Income Program support based on actual support claims, USAC will begin an outreach campaign to make each ETC aware of the new process and how the transition will affect its Low Income Program support payments. The key components of the outreach plan include:

⁴ Under USAC's existing disbursement calculation process, a new ETC is paid based on its actual support claim filed on FCC Form 497 for three months before USAC generates a projection for the company. Under the proposed plan, USAC would continue to pay new companies on actual support claims for month four and all subsequent months.

- (1) USAC will draft notices explaining the new disbursement calculation process and post them on USAC's website and include them in the HCLI Newsletter, which is sent to more than 4,700 individuals each month.
- (2) USAC will send an e-mail to each carrier's FCC Form 497 contact person explaining the change in the process and clearly indicating the date the new payment process will go into effect.
- (3) USAC will send a second e-mail reminder to each carrier's FCC Form 497 contact prior to the first FCC Form 497 deadline.
- (4) USAC will conduct a training session via webinar that carrier representatives can attend remotely by logging-in to a website and calling a toll-free number. The training session will be recorded and will be available on USAC's website for reference.
- (5) USAC will contact consultants and agents who file on behalf of multiple carriers.

Costs and Cost Savings

[16.] The most substantial benefit of paying Low Income Program support based on actual support claims is the elimination of the risk to the program if a carrier ceases business operations or drastically reduces its support claims. Although USAC has procedures in place to help guard against these contingencies, the possibility remains that a projection cannot be trued-up as a result of an unforeseen change in a company's financial circumstances. Paying Low Income Program support based on actual support claims will substantially reduce these risks.

[17.] Currently, it is not possible to determine the overall impact to the Low Income Program by moving to paying on actual support claims rather than paying on projections. The monetary effect will depend on the data used to calculate the disbursement for the transition month as well as the number of carriers that utilize the opportunity to transition to payment on actual support claims before the deadline. For purposes of assessing the potential impact, USAC has analyzed the past three low income disbursements and found the USAC-generated projections are within three percent of actual disbursements. The table below shows the actual support claims compared to projections for three months.

[Table 3]

	May 2011 Actual Support Claims	Amount Projected for May	Difference between May projection and actuals	Percentage difference between actuals and projections
July 31 Disbursement	\$130,672,390	\$131,228,341	(\$555,951)	0.43%

	April 2011 Actual Support Claims	Amount Projected for April	Difference between April projection and actuals	Percentage difference between actuals and projections
June 30 Disbursement	\$126,433,608	\$127,365,872	(\$932,264)	0.73%

	March 2011 Actual Support Claims	Amount Projected for March	Difference between March projection and actuals	Percentage difference between actuals and projections
May 31 Disbursement	\$126,505,945	\$123,692,165	\$2,813,780	-2.27%

[18.] USAC has also examined the past three disbursements in order to estimate the effect of paying on actual support claims. The only Low Income Program support that will be disbursed during the transition month will be support for carriers that are already being paid on actual support claims, plus any positive amounts resulting from the true-up process. The chart below shows projections, payments to companies already paid on actual support claims, true-ups (the difference between the amount projected for a previous month and the company's actual claim for that month), and total amount disbursed for each of the past three months. Had the transition occurred during any of the past three months, the total disbursement amount would have equaled the amount in the column titled "Amount paid to companies that are already paid on actual support claims" in the table below. While most companies will experience an anomalous month of significantly lower disbursements during the transition month, carriers that meet the deadline for filing FCC Form 497 will be paid on their actual support claims beginning the month following the transition month.

[Table 4]

	Amount Projected for June	Amount paid to companies already paid on actual support claims	Total True-Ups	Disbursement Amount
July 31 Disbursement	\$133,550,016	\$10,767,108	(\$1,216,818)	\$143,100,306

	Amount Projected for May	Amount paid to companies already paid on actuals	Total True-Ups	Disbursement Amount
June 30 Disbursement	\$131,228,341	\$5,471,209	\$3,246,143	\$139,945,693

	Amount Projected for April	Amount paid to companies already paid on actuals	Total True-Ups	Disbursement Amount
May 31 Disbursement	\$127,365,872	\$4,980,795	\$1,932,222	\$134,278,889

[19.] The actual costs that USAC will incur in changing its processes to pay on actual support claims are negligible.⁵ Eliminating the risks associated with paying Low Income Program support payments on projections far outweigh any implementation costs to USAC.

USAC appreciates the opportunity to work in a collaborative manner with FCC staff to improve the efficiency and effectiveness of administration for the Low Income program.

Sincerely,

Richard A. Belden
Chief Operating Officer

cc: Thomas Buckley (*via email only*)
Trent Harkrader (*via email only*)
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⁵ USAC's costs to implement these procedural changes and to conduct outreach amount to less than \$10,000.